

Duke Energy Corporation ~~Confidential~~**Duke Power's Allowable Rate of Return**

For the last two quarters in 1998, Duke Power has been earning a higher rate of return than allowed by the current rate structure. We have come up with the following strategies to reduce Duke Power's current rate of return. Those strategies are:

Strategy	Area/Item of Identifiable Cost	Amount
1	<del>Merchandising</del> Lease expenses	\$ 6,038,147
2	<del>A&amp;G</del> Insurance Refunds	31,442,439
3	<del>Other Income and Expense</del> - Executive Deferred Compensation	11,116,034
4 <sup>2</sup>	Other Income and Expense - HUB Transactions	-
5	<del>Unregulated Products and Services</del> - Allocated costs	-
		<u>\$ 48,596,620</u>

Additional details are supplied in the following pages.

Note, items are subject to review and approval.

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